

MOREHOUSE COUNCIL ON AGING, INC.

Bastrop, Louisiana

FINANCIAL STATEMENTS

June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/23/11

Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana

MOREHOUSE COUNCIL ON AGING, INC.

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MOREHOUSE COUNCIL ON AGING, INC.

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morehouse Council on Aging, Inc., as of and for the year ended June 30, 2010 which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morehouse Council on Aging, Inc., management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Council on Aging, Inc. as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 3 through 11 and the supplementary financial information required by GASB 34 on pages 41 through 43, the supplementary financial information required by GOEA on pages 44 and 45, and the supplementary financial information required by OMB Circular A-133 on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued a report dated September 30, 2010 on my consideration of Morehouse Council on Aging, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Manda D. Melican

Certified Public Accountant
September 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of Morehouse Council on Aging, Inc.'s financial performance provides an overview of the Council's financial activities for the year ended June 30, 2010. Please read it in conjunction with the Council's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The Council showed a net increase in overall net assets of \$71,218 this year.
- Net Capital Assets of the Council decreased by \$17,168 for the year due to additions of \$7,500 and depreciation of \$24,668.
- The unreserved, undesignated fund balance for the Council's General Fund was \$231,159 at year-end, which is a \$79,750 increase from the prior year.

HOW TO USE THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The *Statement of Net Assets and the Statement of Activities* (on pages 12 and 13) provide information about the activities of the Council as a whole and present a longer-term view of the Council's finances. Fund financial statements begin on page 14. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds.

Our auditor has provided assurance in her independent auditor's report, located immediately after this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. The auditor is providing varying degrees of assurance about Supplementary Financial Information Required by GASB Statement 34 and Supplementary Financial Information Required by GOEA that follow later in this reporting package. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part of the financial section of the report.

Reporting the Council as a Whole Using Government-Wide Statements

Our analysis of the Council as a whole begins on page 7. An important question to ask about the Council's finances is, "Is the Council as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities (referred to collectively as the Government-Wide Financial Statements) report information about the Council as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Government-Wide Statements can be found on pages 12 to 13 and report the Council's net assets and changes in them. Some of the net assets are restricted, which means they can only be used for a specific purpose. The Statement of Net Assets is designed to present the financial position of the Council as of year-end. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial position is improving or deteriorating. However, to assess the overall financial position of the Council, you will need to consider other nonfinancial factors, such as the condition of the Council's capital assets and facilities, the addition or termination of grants and other revenue sources, and the expansion or contraction of programs and services.

The Statement of Activities provides information that shows how the Council's net assets changed as a result of this year's activities. All of the Council's significant activities are reported in the Statement of Activities. These activities include an Administrative function and a Health, Welfare and Social Services function. The Health, Welfare and Social Services function is comprised of various programs that include various supportive social services, nutritional services, utility assistance, and disease prevention and health promotion. The Council also administers a Section 8 Housing Program for the Morehouse Police Jury. All activities of the Council are considered to be governmental activities. A governmental activity is one where the Council uses money it receives from government grants and contracts, along with donations from the general public, to pay for the services it provides to the general public or a segment of the general public, such as the elderly. In other words, the people benefitting from the services are not required to pay for what they receive. If the Council charged fees to cover all or most of the cost of providing a service, that activity would be classified as a business-type activity. The Council does not have any business-type activities.

Reporting the Council's Most Significant Funds Using Fund Financial Statements

Our analysis of the Council's Governmental funds begins on page 9. The Fund Financial Statements can be found on pages 14 and 15 and provide detailed information about the most significant funds - not the Council as a whole. In the Fund Financial Statements you will see a General Fund and a variety of Special Revenue Funds. The General Fund is used to account for all financial resources except those that are required to be accounted for in another fund. The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. By using separate funds to track revenues and expenditures, we can control and manage funds for particular purposes or we can show that the fund is meeting legal responsibilities for using certain grants and other money.

The General Fund and Special Revenue Funds are considered governmental funds. Governmental funds focus on how money flows into and out of funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. We have presented the difference between the net assets of operations and the basic services it provides. Governmental fund reconciliation at the bottom of the Balance Sheet for Governmental Funds. In addition, the difference between the change in net assets for the governmental funds and the change in net assets for the governmental activities has been presented in a reconciliation on a separate page that follows the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 40. You should read the notes before making assumptions or drawing conclusions about the Council's financial condition.

Supplementary Financial Information Required by GASB Statement 34

The Governmental Accounting Standards Board (GASB) Statement 34 requires budgetary comparison schedules for the General Fund and each major Special Revenue Fund that has a legally adopted annual budget. The schedules compare the original and final appropriated budgets to actual budget results for the Council's fiscal year. We have also opted to present positive and negative variances between the final budget and actual amounts.

Major funds are those funds whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. In addition, a major fund could be a fund that does not meet these criteria but which we deem is important to present for the Council's financial statement.

Management's Discussion and Analysis is also required to present supplementary information (RSI) by GASB Statement 34. However, it is presented as the first item in this reporting package and not with the other RSI by GASB Statement 34.

Other Supplementary Financial Information Required by GOEA and OMB Circular A-133

The Council has also presented other required supplemental information in this reporting package.

The Governor's Office of Elderly Affairs (GOEA) has required the Council to present as schedules the information on pages 45 and 46. This information is used by GOEA to verify the accuracy of information the Council submits during the year and to help GOEA monitor certain compliance requirements forth in the grants that it has with the Council. Information required by Circular A-133 is presented on page 47.

AN ANALYSIS OF THE COUNCIL AS A WHOLE USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects condensed information on the Council's net assets as of the year ended June 30,

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 379,313	\$ 332,913
Capital Assets, net of depreciation	<u>325,596</u>	<u>343,764</u>
Total Assets	<u>704,909</u>	<u>676,677</u>
Accounts Payable and Accrued Expenses	123,716	153,305
Notes Payable	<u>142,996</u>	<u>156,393</u>
Total Liabilities	266,712	309,698
Invested in capital assets, net of related debt	182,600	187,371
Restricted	24,438	28,199
Unrestricted	<u>231,159</u>	<u>151,409</u>
Total Net Assets	<u>\$ 438,197</u>	<u>\$ 366,979</u>

As of June 30, 2010, the Council "as a whole" had assets greater than its liabilities by \$438,197.

The net assets that have been invested in capital assets are presented net of any related outstanding debt incurred to acquire them.

For the year ended June 30, total revenues exceeded total expenditures as follows:

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Operating Grants and Contributions	\$ 1,181,514	\$ 974,750
Capital Grants	-	-
General Revenues:		
Unrestricted Grants and Contributions	-	126,115
Other General Revenues	<u>232,323</u>	<u>213,804</u>
Total Revenues	<u>1,413,837</u>	<u>1,314,669</u>
Direct Program Expenses of the Health, Welfare and Social Services Function:		
Supportive Services:		
Other Supportive Services	817	13,662
Homemaker	73,773	31,747
Information and Assistance	3,737	4,006
Legal Assistance	4,800	4,800
Outreach	6,707	4,006
Transportation	138,605	100,457
Nutrition Services:		
Congregate Meals	151,224	99,785
Home Delivered Meals	163,862	117,385
Utility Assistance	6,119	4,290
Disease Prevention and Health Promotion	3,768	3,768
National Family Caregiver Support	60,104	23,311
Section 8 Housing	560,299	558,085
Direct Administration Expenses	<u>168,804</u>	<u>295,270</u>
Total Expenses	<u>1,342,619</u>	<u>1,260,572</u>
Increase (Decrease) in Net Assets	<u>\$ 71,218</u>	<u>\$ 54,097</u>

AN ANALYSIS OF GOVERNMENTAL ACTIVITIES

Most of the Council's activities are funded by federal, state and local grants. These grants amount to approximately 80% of the revenues of the Council in 2010. Some of these grants are restricted which means that the money can only be used in certain programs. The amount of the funds available from most of the grants remains rather constant from year to year; however, some grant amounts may change based upon the level of service provided by the Council under the terms of the particular grant award.

The Council also receives donations from its clients and the general public. These revenues help to lessen the financial burden on the Council and allow it to maintain and expand services. Public support revenues represented 5% of the total revenues in 2010.

The Council invests idle funds and is able to earn some interest on this money each year. The investment earnings are used or accumulate as necessary to meet expenses each year.

When reviewing the Government-Wide Statement of Activities, there are relationships that are important to the understanding of the Council's operations. The Council's largest activities are related to supportive services and nutrition services. The Council's main focus is to meet the needs of the elderly citizens of Morehouse Parish. There is a high demand for these services; therefore, resources are channeled to meeting the demand.

AN ANALYSIS OF THE COUNCIL'S FUNDS USING GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund Balances

The Council showed a combined governmental fund balance of \$255,597 at the end of this year, which is an increase of \$75,989 versus last year.

Revenues

The combined fund revenues increased \$99,168 this year versus last year.

Expenditures

Total expenditures increased by \$100,345 for the year ended June 30, 2010.

AN ANALYSIS OF THE GENERAL FUND BUDGET

Over the course of this past fiscal year the budget was amended one time. The amendment effectively approves any expenditure that had already been incurred that exceeded its original budget amount. The primary reasons for amending the budget are to account for unanticipated changes in both revenues and expenditures and to prevent compliance violations under the Council's grants from GOEA.

You can find schedules of the original and amended budgets for the General Fund in the Supplementary Financial Information Required by GASB Statement 34 section of this report on page 41. Variances are a result of the budget amendment process, which allows us the opportunity to use hindsight to adjust the forecast that was made at the beginning of the year. With only two months left in the fiscal year at the time that the budget is amended, the risk of a significant budget overrun is reduced because of our ability to more accurately predict what will occur over a shorter period of time versus a longer period of time.

AN ANALYSIS OF CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the year, the Council had \$325,596 in fixed assets net of accumulated depreciation. This amounted to a net decrease of \$17,168. This decrease is due to additions of \$7,500 and depreciation expense of \$24,668.

The Council reduced its outstanding debt by \$12,397 during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Council receives most of its funding from federal and state agencies. Because of this, the source of income for the Council is rather steady. However, some of the Council's grants and contracts are contingent upon the level of service provided by the Council, and therefore, revenues may vary from year to year. In setting its budget for the fiscal year 2011, it was important that we deliver at least the same level of service to our clients and the public as we did in 2010. All of the Council's grants and contracts from the usual federal and state agencies have been approved for YE 2011. There have been no significant changes to the funding levels or terms of the grants and contracts. Accordingly, we have set our initial budget to provide the same programs and levels of service next year. GOEA has also approved the Council's budget for next year. There are no plans to add any significant programs for next year.

CONTACTING THE COUNCIL'S MANAGEMENT

Our financial report is designed to provide government agencies and the general public an overview of the Council's finances and to demonstrate accountability for the money that it receives. If you have any questions about this report or wish to ask for more information, you should contact Mr. Reggie DeFreese, Jr., Executive Director, at the Council's main office located at 200 Elm Street, Bastrop, Louisiana, or by phone at (318)283-0845.

MOREHOUSE COUNCIL ON AGING, INC.

Government Wide Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash	\$ 302,549
Grants and contracts receivable	76,594
Deposits	170
Capital assets, net of depreciation	<u>325,596</u>
Total assets	<u>\$ 704,909</u>
Liabilities	
Accounts payable	\$ 123,716
Notes payable:	
Current portion	11,030
Non-current portion	<u>131,966</u>
Total liabilities	<u>\$ 266,712</u>
Net assets	
Invested in Capital Assets, net of debt	\$ 182,600
Restricted for:	
Utility Assistance	24,438
Unrestricted	<u>231,159</u>
Total Net Assets	<u><u>\$ 438,197</u></u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

GOVERNMENT WIDE STATEMENT OF ACTIVITIES

For the Year ended June 30, 2010

Functions/Programs	Program Revenues				Assets	
	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities						
Health, Welfare & Social Services:						
Supporting Services:						
Other Services	\$ 817	\$ 734	\$ -	\$ 6,969	\$ -	\$ 5,418
Homemaker	73,773	8,989	-	76,659	-	(6,103)
Information and Assistance	3,737	545	-	3,957	-	(325)
Legal Assistance	4,800	-	-	4,800	-	-
Outreach	6,707	817	-	7,351	-	(173)
Transportation	138,605	16,071	-	137,365	-	(17,311)
Nutrition Services:						
Congregate Meals	151,224	29,747	-	148,757	-	(32,214)
Home Delivered Meals	163,862	33,139	-	156,674	-	(40,327)
Utility Assistance	6,119	-	-	2,358	-	(3,761)
Disease Prevention and Health Promotion	3,768	-	-	3,768	-	-
National Family Caregiver Support	60,104	6,300	-	29,092	-	(37,312)
Section 8 Housing	560,299	47,030	-	578,332	-	(28,997)
Administration	168,804	(143,372)	-	25,432	-	0
Total Governmental activities	\$ 1,342,619	\$ -	\$ -	\$ 1,181,514	\$ -	\$ (161,105)

General Revenues:

Grants and contributions not restricted to specific programs

Miscellaneous

Total general revenues and special items

Increase (Decrease) in net assets

Net assets - beginning of the year

Net assets - end of the year

-	232,323
-	232,323
71,218	366,979
\$	\$ 438,197

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	Section 8	C-1	C-2	Non-Major Funds	Total
Assets						
Cash	\$ 206,720	\$ 95,829	\$ -	\$ -	\$ -	\$ 302,549
Grants and contracts receivable	76,594	-	-	-	-	76,594
Due from other Funds	-	-	-	-	24,438	24,438
Deposits	170	-	-	-	-	170
Total Assets	\$ 283,484	\$ 95,829	\$ -	\$ -	\$ 24,438	\$ 403,751
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 27,887	\$ 95,829	\$ -	\$ -	\$ -	\$ 123,716
Due to other funds	24,438	-	-	-	-	24,438
Total Liabilities	52,325	95,829	-	-	-	148,154
Fund Balances						
Reserved for:						
Utility assistance	-	-	-	-	24,438	24,438
Unreserved/Undesignated						
General Fund	231,159	-	-	-	-	231,159
Special Revenue Fund	-	-	-	-	-	-
Total Fund Balances	231,159	-	-	-	24,438	255,597
Total Liabilities and Fund Balances	\$ 283,484	\$ 95,829	\$ -	\$ -	\$ 24,438	\$ 403,751

Amounts reported for governmental activities in the statement of net assets are different because:

because:

- Notes payable are not reported as revenue in the government wide funds (142,996)
- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 325,596

Net Assets of Governmental Activities

\$ 438,197

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	General	C-1	C-2	Section 8	Non-Major Funds	Total
REVENUES						
Intergovernmental:						
Governor's Office of						
Elderly Affairs	\$ 52,500	\$ 84,904	\$ 91,749	\$ -	\$ 222,570	\$ 451,723
Housing and Urban						
Development	88,566	-	-	489,766	-	578,332
Health & Hospitals	2,660	-	-	-	-	2,660
Social Services	102,420					102,420
Public Support:						
Unrestricted	14,504	-	-	-	-	14,504
Restricted	-	-	-	-	-	-
Restricted - Utility						
Programs	-	-	-	-	2,358	2,358
Client Contributions	-	30,016	18,825	-	5,353	54,194
Charitable Gaming	129,709	-	-	-	-	122,195
Miscellaneous	85,451	-	-	-	-	85,451
Total Revenues	<u>475,810</u>	<u>114,920</u>	<u>110,574</u>	<u>489,766</u>	<u>230,281</u>	<u>1,413,837</u>
EXPENDITURES						
Health, Welfare & Social						
Services						
Current:						
Salaries	122,546	58,995	70,263	-	89,629	341,433
Fringe	21,005	7,550	9,196	-	14,191	51,942
Travel	717	1,718	245	-	3,956	6,636
Operating services	135,267	25,423	23,951	489,766	76,455	750,862
Operating supplies	45,469	947	1,185	-	10,297	57,898
Other costs	9,018	-	-	-	3,768	12,786
Meals	-	46,325	52,223	-	11,638	110,186
Utility assistance	-	-	-	-	6,119	6,119
Capital outlay	7,500	-	-	-	-	7,500
Total expenditures	<u>341,522</u>	<u>140,958</u>	<u>157,063</u>	<u>489,766</u>	<u>216,053</u>	<u>1,345,362</u>
Excess (deficiency) of						
revenues over						
expenditures	134,288	(26,038)	(46,489)	-	14,228	68,475
OTHER SOURCES (USES)						
Operating transfers in	-	26,038	46,489	-	45,619	118,146
Operating transfers out	<u>(54,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,608)</u>	<u>(118,146)</u>
Excess (deficiency)						
revenues and other						
other sources over						
expenditures and						
other uses	79,750	-	-	-	(3,761)	75,989
FUND BALANCES (DEFICIT)						
Beginning of year (deficit)	151,409	-	-	-	28,199	179,608
End of year	<u>\$ 231,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,438</u>	<u>\$ 255,597</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities

Year Ended June 30, 2010

Net Increase (Decrease) in fund balances total governmental funds	\$ 75,989
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$24,668) exceeded capital outlay(\$7,500) in the current period.	(17,168)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in the funds.	
Principal payments on notes payable	<u>12,397</u>
Increase (Decrease) of net assets of governmental activities	<u>\$ 71,218</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies:

A. Purpose of the Council on Aging:

The purpose of the Council is to collect facts and statistics and make special studies of conditions pertaining to the employment, financial status, recreation, social adjustment, mental and physical health or other conditions affecting the welfare of the aging people in Morehouse Parish; to keep abreast of the latest developments in these fields of activity throughout Louisiana and the United States; to interpret its findings to the citizens of the parish; to provide for a mutual exchange of ideas and information on the parish and state level; to conduct public meetings to make recommendations for needed improvements and additional resources; to promote the welfare of aging people when requested to do so; to coordinate and monitor services of other local agencies serving the aging people of the parish; and to assist and cooperate with the Governor's Office of Elderly Affairs (GOEA) other departments of state and local government serving the elderly; and to make recommendations relevant to the planning and delivery of services to the elderly of the parish.

Specific services provided by the Council to the elderly residents of Morehouse Parish include providing congregate and home delivered meals, nutritional education, personal care, information and assistance, outreach, material aid, utility assistance, homemakers, recreation, legal assistance, health promotion, and transportation. The Council also administers Section 8 Housing Program through the Morehouse Parish Police Jury.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Reporting Entity:

In 1964, the State of Louisiana passed Act 456 authorizing the charter of a voluntary council on aging for the welfare of the aging people in each parish of Louisiana. However, before the council on aging can begin operations in a specific parish, its application for a charter must receive approval from the Governor's Office of Elderly Affairs pursuant to LA R.S. 46:1602. The functions of each council on aging in Louisiana must comply with the objectives of state laws and are governed by the policies and regulations established by GOEA.

Morehouse Council on Aging, Inc. is a legally separate, non-profit, quasi-public corporation. It received its charter and began operations on September 21, 1976.

A board of directors, consisting of 15 voluntary members, who serve three-year terms, governs the Council. The board of directors is comprised of, but not limited to, representatives of the Parish's elderly population, general public, private businesses, and elected public officials. Board members are elected annually in the following manner:

Members are selected from the general public to represent all sections of the parish and are drawn from, but not limited to, civic organizations, governmental agencies, business, and religious groups.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Reporting Entity: - (Continued)

Membership in the Council is open at all times, without restriction, to all residents of Morehouse Parish who have reached the age of majority and who express an interest in the Council and wish to contribute to or share in its programs. Membership fees are not charged.

Based on the criteria set forth in GASB Statement 14, the Morehouse Council on Aging, Inc. is not a component unit of another primary government nor does it have any component units that are related to it. In addition, based on the criteria set forth in GASB Codification section 2100, the council has presented its financial statements as a primary government, because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement 14, the term fiscally independent means that the council may, without approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. As previously mentioned, GOEA establishes the policies and regulations that all councils must follow. Included in its policies is a provision that the Council's budget be approved by GOEA. However, this approval process is part of GOEA's general oversight responsibility for the council and is more ministerial or compliance oriented than substantive.

Accordingly, the Council is viewed as being fiscally independent for purposes of applying the reporting entity criteria of GASB Statement 14.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Presentation of Statements:

The Council's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The council has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Council has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Council are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement require the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
-(Continued)

C. Presentation of Statements (Continued)

- Governmental-Wide Financial statements prepared using full accrual accounting for all of the Council's activities.
- A change in the fund financial statements to focus on the major funds.

D. Basic Financial Statements - Government-Wide Statements

The Council's basic financial statements include both Government-Wide (reporting the Council as a whole) and fund financial statements (reporting the Council's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Council's functions and programs have been classified as governmental activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements - do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies -
(Continued)

D. Basic Financial Statements - Government-Wide Statements
(Continued)

unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Council's policy is to use restricted resources first to finance its activities except for nutrition services. When providing nutrition services, revenues earned by the Council under its USDA contract with GOEA can only be used to pay for the raw food component of each meal that is bought and served to a person eligible to receive a meal under one of the nutrition programs. The Council's management has discretion as to how and when to use the USDA revenues when paying for nutrition program costs. Quite often unrestricted resources are available for use that must be consumed or they will have to be returned to GOEA. In such cases it is better for management to elect to apply and consume the unrestricted resources before using the restricted resources. As a result, the Council will depart from its usual policy of using restricted resources first.

The Government-Wide Statement of Activities reports both the gross and net cost of each of the Council's functions and significant programs. Many functions and programs are supported by general government revenues like intergovernmental revenues, and unrestricted net

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies -
(Continued)

**D. Basic Financial Statements - Government-Wide
Statements (Continued)**

investment income, particularly if the function or program has a net cost. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

The Council allocates its indirect costs among various functions and programs in accordance with Circular A-87. The Statement of Activities shows this allocation in a separate column labeled "indirect cost allocation." In addition, GOEA provides grant funds to help the Council pay for a portion of its indirect costs. As a result, only the indirect costs in excess of the GOEA funds are allocated to the Council's other functions and programs.

The Government-Wide Statements focus upon the Council's ability to sustain operations and the change in its net assets resulting from the current year's activities.

**E. Basic Financial Statements - Fund Financial
Statements:**

The financial transactions of the Council are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies:
(Continued)

**E. Basic Financial Statements - Fund Financial
Statements (Continued)**

upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

**E. Basic Financial Statements: Fund Financial
Statements (Continued)**

The following is a description of the governmental funds of the Council:

- **The General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. PCOA funds are discretionary funds and are reported in the general fund.
- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

A large percentage of the Council's special revenue funds are Title III funds. These funds are provided by the United States Department of Health and Human Services - Administration on Aging to the Governor's office of Elderly Affairs, which in turn "passes through" the funds to the council.

The Council has established several special revenue funds. The following is a brief, description of each special revenue fund's purpose:

Major Special Revenue Funds

The Section 8 Housing Program Fund is administered by the Council through Morehouse Parish Police Jury. The Council determines eligibility for qualified participants.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

**E. Basic Financial Statements - Fund Financial
Statements (Continued)**

The Title III C-2 Fund is used to account for funds that are used to provide nutritional meals to homebound older persons. Using Title III C-2 funds the Council served 19,866 meals during the year to people eligible to participate in this program.

The Title III C-1 Fund is used to account for funds that are used to provide nutritional, congregate meals to the elderly at meal sites located in Bastrop and surrounding areas. During the year the Council served 19,782 meals to people eligible to participate in this program.

Non-Major Special Revenue Funds

The Title III B Fund is used to account for funds, which are used to provide various units of supportive social services to the elderly. GOEA has established the criteria for defining a qualifying unit of service for each Title III program. Specific supportive social services, along with the number of units provided during the fiscal year, are as follows:

	<u>Units</u>
• Information and Assistance	609
• Outreach	203
• Homemaker	2,905
• Transportation for people age 60 or older	6,213
• Legal	192
• Caregiver	850

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

**e. Basic Financial Statements - Fund Financial
Statements - (Continued)**

The Senior Center Fund is used to account for the administration of Senior Center program funds appropriated by the Louisiana Legislature to GOEA, which in turn "passes through" the funds to the Council. The purpose of this program is to provide a community service center at which elderly people can receive supportive social services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in and with the community. The senior center for Morehouse Council is located in Bastrop. Senior Center funds can be used at management's discretion to support any of the Council's programs that benefit the elderly. Accordingly, during the fiscal year, the Senior Center Fund transferred the majority of its grant revenue to the Title III B Fund to subsidize that program's cost of providing supportive services to elderly persons who use the senior center.

The Title III C Area Agency Administration Fund is used to account for a portion of the indirect costs of administering the Council's programs. Each fiscal year GOEA provides the Council with funds to help pay for the costs of administering the Council's special programs for the elderly. The amount of funding is not enough to pay for all the indirect costs. As a result, the Council will allocate its indirect costs to this fund first. Once the GOEA funds are completely used, any indirect costs, in excess of the funds provided by GOEA, are distributed to other funds and programs using a formula based on the percentage each program's direct costs bear to direct costs for all programs.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

**E. Basic Financial Statements - Fund Financial
Statements - (Continued)**

The Title III D Fund is used to account for funds used for disease prevention and health promotion activities. During the year 8,013 units of wellness service were provided to eligible participants in this program.

The Nutritional Services Incentive Fund is used to account for the administration of the Food Distribution Program provided by the United State Department of Agriculture through the Governor's Office of Elderly Affairs, which in turn "passes through" the funds to the Council. GOEA distributes funds to each parish council on aging in Louisiana based on how many meals each council on aging served in the previous year in relation to the total meals served statewide by all councils. The primary purpose of the NSI reimbursement is to provide money to the Council so that United States food and commodities may be purchased to supplement nutrition programs.

The Utility Assistance Fund is used to account for the administration of utility assistance programs that are sponsored by local utility companies. The companies collect contributions from service customers and remit the funds to the parish councils on the aging to provide assistance to the elderly for the payment of utility bills. The Council receives its Project Care donations directly from Entergy Corporation. LP&L Helping Hands donations are provided through the Louisiana Association of councils on Aging, Inc. (LACOA). During the year, the Council was able to provide 93 units of service with these funds.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

**E. Basic Financial Statements - Fund Financial
Statements - (Continued)**

The Audit Fund is used to account for funds received from the Governor's Office of Elderly Affairs that are restricted to use as a supplement to pay for the cost of having an annual audit of the Council's financial statements. The cost allocated to this fund is equal to the GOEA supplement. Excess audit costs have been distributed to other funds and programs using the Council's indirect cost allocation formula.

The Supplemental Senior Center Fund was established to account for funds that were appropriated by the Louisiana Legislature for the various councils on aging throughout Louisiana to supplement each council's primary grant for senior center operations and activities. The Morehouse Council on Aging, Inc. was one of the parish councils to receive a supplemental grant of \$3,100. The monies received by this fund during the year were transferred to the Title IIIB Supportive Services Fund to supplement the costs in this fund.

The Title III E Care-giver Fund provides systems of support services for family care-givers and for older individuals who are relative care givers. Under this program, the Council rendered 850 units of respite care to qualifying individuals.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

F. Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual Basis - Government-Wide Statements (GWFS):

The Statement of Net Assets and the Statement of Activities display information about the Council as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual Basis - Fund Financial Statements (FFS):

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

The Council considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

G. Interfund Activity:

Interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers represent a permanent reallocation of resources between funds. Transfers between funds are netted against one another as part of the reconciliation of the change in fund balances in the fund financial statements to the change in net assets in the Government-Wide Financial Statements.

H. Investments:

GASB Statement 31 requires the Council to report its investments at fair value, except for investments in non-participating interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates. This type of investment is reported using a cost-based measure, provided that the fair market value of the contract is not significantly affected by the impairment of the credit standing of the issuer or other factors.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

I. Prepaid Expenses/Expenditures:

Prepaid expenses include amounts paid for services in advance. These are shown as assets on the Government-Wide Statement of Net Assets.

In the Fund Financial Statements, the Council has elected not to include amounts paid for future services as expenditures until those services are consumed to comply with the cost reimbursement terms of grant agreements. As a result, the prepaid expenditures are shown as an asset on the balance sheet of the Fund Financial Statements until they are consumed. In addition, a corresponding amount of the fund balance of the General Fund has been reserved to reflect the amount of fund balance not currently available for expenditure.

J. Capital Assets:

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,000 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Assets. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

For capital assets recorded in the Government-Wide Financial Statements, depreciation is computed and recorded using the straight-line method for the asset's estimated useful life. The estimated useful lives of the various classes of depreciable capital assets are as follows: Building improvements - 20 years, equipment and vehicles - 5 - 7 years, computers - 3 years. Depreciation is not computed or recorded on capital assets for purposes of the Fund Financial Statements.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

K. Cash and Cash Equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

L. Unpaid Compensated Absences:

No liability is recorded for nonvesting accumulated rights to receive vacation or sick pay benefits.-Wide Statements.

M. Allocation of Indirect Expenses:

The Council reports all direct expenses by function and programs of functions in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function or program. Indirect expenses are recorded as direct expenses of the Administration function. GOEA provides funds to partially subsidize the Council's Administration function. The unsubsidized net cost of the Administration function is allocated using a formula that is based primarily on the relationship the direct cost a program bears to the direct cost of all programs. There are some programs that cannot absorb any indirect cost allocation according to their grant or contract limitations.

N. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

O. Elimination and Reclassifications:

In the process of aggregating data for the Statement of Net Assets and, the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

P. Deferred Revenues:

The Council reports deferred revenues on its Statement of Net Assets and on the balance sheet of the Fund Financial Statements. Deferred revenues arise when the Council receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

Note 2 - Revenue Recognition

Revenues are recorded in the Government-Wide Statements when they are earned under the accrual basis of accounting.

Revenues are recorded in the Fund Financial Statements using the modified accrual basis of accounting. In applying the susceptible to accrual concept using this basis of accounting, intergovernmental grant revenues, program service fees, and interest income are usually both measurable and available. However, the timing and amounts of the receipts of public support and miscellaneous revenues are often difficult to measure; therefore, they are recorded as revenue in the period received. The Council had no deferred revenue at June 30, 2009.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

Note 3 - Cash

The Council maintains a consolidated bank account to deposit most of the monies it collects and to pay its bills. The consolidated bank account is available for use by all funds. The purpose of this consolidated account is to reduce administration costs and facilitate cash management. The consolidated account also allows those funds with available cash resources to temporarily cover any negative cash balances in other funds.

At year-end, the carrying amount of the Council's cash balances on the books was \$302,549 whereas the related bank cash balances totaled \$353,585. The difference in the book and bank balances for cash relates primarily to deposits made and checks written which did not clear the bank accounts by year-end. All bank balances were covered by federal depository insurance.

Note 4 - Investments

The Council's primary purpose for investing is to earn interest income on money that its management has determined to be in excess of immediate cash needs. Louisiana Revised Statute 33:2955 sets forth a list of the types of investments in which a political subdivision may invest its temporarily idle funds. The Council had no investments at June 30, 2010.

Note 5 - Government Grants and Contracts Receivable

Government grants and contracts receivable represent amounts owed to the Council under a grant award or contract with a provider of federal, state, or local funds; such amounts being measurable and available as of year-end.

Government grants and contracts receivable at year-end, consist of reimbursements for expenses incurred under the following programs:

Local	\$76,594
Office of Elderly Affairs	-
Total	<u>\$76,594</u>

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Summary of Significant Accounting Policies
(Continued)

Note 6 - Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance			Balance
<u>Capital Assets</u>	<u>07-01-09</u>	<u>Increases</u>	<u>Decreases</u>	<u>06-30-10</u>
Building	\$ 352,629	\$ -	\$ -	\$ 352,629
Furniture				
& equipment	207,467	7,500	(42,404)	172,563
Leasehold Impr	<u>61,644</u>	<u>-</u>	<u>-</u>	<u>61,644</u>
Subtotal	<u>621,740</u>	<u>7,500</u>	<u>(42,404)</u>	<u>586,836</u>

Accumulated Depreciation:

Building	40,697	9,243	-	57,940
Furniture				
& Equipment	167,635	15,445	(42,404)	140,767
Leasehold Impr	<u>61,644</u>	<u>-</u>	<u>-</u>	<u>61,644</u>
Subtotal	<u>277,976</u>	<u>24,668</u>	<u>(42,404)</u>	<u>260,240</u>

Net Assets	<u>\$ 343,764</u>	<u>\$ (17,168)</u>	<u>\$ -</u>	<u>\$ 325,596</u>
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Depreciation was charged to governmental activities as follows:

Section 8	\$ 8,140
III B Supportive Services	10,854
C-1	2,467
C-2	2,960
III E Caregiver	<u>247</u>
Total depreciation expense for governmental activities	<u>\$ 24,668</u>

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7 - Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member. However, board members are reimbursed for any out-of-pocket costs they might incur on behalf of the council in accordance with the Council's applicable reimbursement policy.

Note 8 - Income Tax Status

The Council, a non-profit corporation, is exempt from federal income taxation under Section 501 (c)(3) of the Internal Revenue Code, and as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

Note 9 - Economic Dependency

The Council receives the majority of its revenue through grants administered by the Louisiana Governor's office of Elderly Affairs (GOEA). The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Council receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the council, will receive in the next fiscal year.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10 - Interfund Receivables and Payables

Because the Council operates most of its programs under cost reimbursement type grants, it has to pay for costs using its General Fund money and then request reimbursement for the advanced costs under the grant programs. Such advances create short-term interfund loans in the Fund Financial Statements. A summary of these interfund loans at year end, is as follows:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ -	\$ 24,438
Non Major Funds	<u>24,438</u>	<u>-</u>
Total	<u>\$ 24,348</u>	<u>\$ 24,438</u>

These loans have been eliminated as a part of the consolidation process in preparing the Government-Wide Financial Statements.

Note 11 - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage.

The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 12 - Interfund Transfers

<u>Funds Transferred Out</u>						
	Funds Transfer					Total
	In	Local	PCOA	USDA	Supple Senior Ctr	
Local	\$ -	-	-	\$ -	\$ -	\$ -
Title IIIB	-	-	15,883	-	-	43,869
C-1	-	-	9,776	16,262	-	26,038
C-2	1,128	26,000	16,261	3,100	-	46,489
AAA	-	144	-	-	-	144
IIIE	909	697	-	-	-	1,606
Totals	<u>\$ 2,037</u>	<u>\$52,500</u>	<u>\$ 32,523</u>	<u>\$ 3,100</u>	<u>\$ 27,986</u>	<u>\$118,146</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

These transfers were eliminated as a part of the consolidation process in preparing the Government-Wide Financial Statements.

Note 13 - Related Party Transactions

There were no significant related party transactions during the year.

Note 14 - In-Kind Contributions

The Council received various in-kind contributions during the year. In-kind contributions consisted primarily of the time donated by volunteer workers at senior centers and meal sites. Although these contributions have not been reported as revenues, no offsetting expenses have been incurred thereby producing no effect on the financial statements.

MOREHOUSE COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 15 - Long-Term Debt

The following is a schedule of long-term debt:

Note payable to a bank, payable in 60 monthly installments of \$305, interest at 7.9%, collateralized by vehicle	\$ 8,077
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Note payable to USDA, payable in 240 monthly installments of \$1,159 including interest at 4.375% collateralized by building	<u>134,919</u>
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Total notes payable	142,996
Less: current portion	<u>11,030</u>

Total Long-Term Debt	<u>\$ 131,966</u>
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Maturities of notes payable are as follows:
Year ending June 30, 2011 - \$8,112; 2012 -
\$8,474; 2013-\$8,853; 2014 - \$9,248; 2015 -
\$9,660; 2016 and thereafter-\$98,649.

MOREHOUSE COUNCIL ON AGING, INC.
 Budgetary Comparison Schedule - General Funds

June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Governor's Office of Elderly Affairs	\$ 52,500	\$ 52,500	\$ 52,500	\$ -
Housing & Urban Development	53,533	# 53,533	88,566	35,033
Social Services	78,470	78,470	102,420	23,950
Health & Hospitals	3,808	3,808	2,660	(1,148)
Contributions	19,489	19,489	14,504	(4,985)
Charitable Gaming	122,195	122,195	129,709	7,514
Miscellaneous	96,764	96,764	85,451	(11,313)
Total Revenues	426,759	426,759	475,810	49,051
EXPENDITURES				
Current:				
Personnel	104,478	104,478	122,546	(18,068)
Fringe	10,737	10,737	21,005	(10,268)
Travel	1,652	1,652	717	935
Operating Services	176,802	176,802	135,267	41,535
Operating Supplies	17,522	17,522	45,469	(27,947)
Other Costs	2,257	2,257	9,018	(6,761)
Capital Outlay	-	-	7,500	(7,500)
Total Expenditures	313,448	313,448	341,522	(28,074)
Excess (deficiency) of revenues over expenditures	113,311	113,311	134,288	20,977
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(113,311)	(113,311)	(54,538)	58,773
Total other financing sources and uses	(113,311)	(113,311)	(54,538)	58,773
Net increase (decrease) in fund balances	-	-	79,750	79,750
FUND BALANCES				
Beginning of year	151,409	151,409	151,409	-
End of year	\$ 151,409	\$ 151,409	\$ 231,159	\$ 79,750

MOREHOUSE COUNCIL ON AGING, INC.

Budgetary Comparison Schedule - Title III C-1

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Governor's Office of Elderly Affairs	\$ 84,904	\$ 84,904	\$ 84,904	\$ -
Public Support	25,000	25,000	30,016	5,016
Total Revenues	109,904	109,904	114,920	5,016
EXPENDITURES				
Current:				
Personnel	48,645	59,251	58,995	256
Fringe	7,377	8,768	7,550	1,218
Travel	2,992	3,611	1,718	1,893
Operating Services	28,436	29,921	25,423	4,498
Operating Supplies	2,094	4,453	947	3,506
Other Costs	1,340	8,933	-	8,933
Meals	46,470	47,160	46,325	835
Total Expenditures	137,354	162,097	140,958	21,139
Excess (deficiency) of revenues over expenditures	(27,450)	(52,193)	(26,038)	26,155
OTHER FINANCING SOURCES (USES)				
Transfers in	27,450	52,193	26,038	(26,155)
Transfers out	-	-	-	-
Total other financing sources and uses	27,450	52,193	26,038	(26,155)
Net increase (decrease) in fund balances	-	-	-	-
FUND BALANCES				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

MOREHOUSE COUNCIL ON AGING, INC.

Budgetary Comparison Schedule - Title III C-2

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Governor's Office of Elderly Affairs	\$ 91,749	\$ 91,749	\$ 91,749	\$ -
Public Support	15,000	15,000	18,825	3,825
Total Revenues	106,749	106,749	110,574	3,825
EXPENDITURES				
Current:				
Personnel	66,332	71,896	70,263	1,633
Fringe	10,060	10,638	9,196	1,442
Travel	2,235	2,292	245	2,047
Operating Services	31,120	31,853	23,951	7,902
Operating Supplies	2,606	5,188	1,185	4,003
Other Costs	1,607	9,126	-	9,126
Meals	56,950	56,250	52,223	4,027
Total Expenditures	170,910	187,243	157,063	30,180
Excess (deficiency) of revenues over expenditures	(64,161)	(80,494)	(46,489)	34,005
OTHER FINANCING SOURCES (USES)				
Transfers in	64,161	80,494	46,489	(34,005)
Transfers out	-	-	-	-
Total other financing sources and uses	64,161	80,494	46,489	(34,005)
Net increase (decrease) in fund balances	-	-	-	-
FUND BALANCES				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

MOREHOUSE COUNCIL ON AGING, INC.

Budgetary Comparison Schedule - Section 8

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Intergovernmental				
Department of HUD	\$ 451,215	\$ 451,215	\$ 489,766	\$ 38,551
Public Support	-	-	-	-
Total Revenues	<u>451,215</u>	<u>451,215</u>	<u>489,766</u>	<u>38,551</u>
EXPENDITURES				
Current:				
Personnel	-	-	-	-
Fringe	-	-	-	-
Travel	-	-	-	-
Operating Services	451,215	451,215	489,766	(38,551)
Operating Supplies	-	-	-	-
Other Costs	-	-	-	-
Meals	-	-	-	-
Total Expenditures	<u>451,215</u>	<u>451,215</u>	<u>489,766</u>	<u>(38,551)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net increase (decrease) in fund balances	-	-	-	-
FUND BALANCES				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOREHOUSE COUNCIL ON AGING, INC.

Combining Statement of Program Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2010

	MIPPA	Area Agency Admin	Title IIB	ARRA C-1	ARRA C-2	Title IHD
<u>REVENUES</u>						
Intergovernmental:						
Governor's Office of Elderly Affairs	\$ 1,130	\$23,827	\$ 79,872	\$ 7,799	\$ 3,839	\$ 3,768
State of Louisiana						
Department of Transportation and Development	-	-	-	-	-	-
Public Support:						
Restricted - Utility Programs	-	-	-	-	-	-
Client Contributions	-	-	5,353	-	-	-
Total Revenues	1,130	23,827	85,225	7,799	3,839	3,768
<u>EXPENDITURES</u>						
Salaries	-	12,416	70,802	-	-	-
Fringe	-	2,428	10,151	-	-	-
Travel	-	149	3,786	-	-	-
Operating Services	1,130	8,311	35,230	-	-	-
Operating Supplies	-	667	9,125	-	-	-
Other Costs	-	-	-	-	-	3,768
Meals	-	-	-	7,799	3,839	-
Utility Assistance	-	-	-	-	-	-
Grants to subrecipients	-	-	-	-	-	-
Total Expenditures	1,130	23,971	129,094	7,799	3,839	3,768
Excess (deficiency) of revenues over expenditures	-	(144)	(43,869)	-	-	-
<u>OTHER FINANCING SERVICES (USES)</u>						
Operating transfers in	-	144	43,869	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-	-	-	-
<u>FUND BALANCES</u>						
Beginning of year	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Title</u> <u>III</u>	<u>NSIP</u>	<u>Audit</u>	<u>Senior</u> <u>Center</u>	<u>Supple</u> <u>Senior</u> <u>Center</u>	<u>Utility</u> <u>Assist</u>	<u>Totals</u>
\$ 28,251	\$ 32,523	\$ 1,605	\$ 37,986	\$ 3,100	\$ -	\$222,570
-	-	-	-	-	-	-
-	-	-	-	-	2,358	2,358
-	-	-	-	-	-	5,353
<u>28,251</u>	<u>32,523</u>	<u>1,605</u>	<u>37,986</u>	<u>3,100</u>	<u>2,358</u>	<u>230,281</u>
6,411	-	-	-	-	-	89,629
1,612	-	-	-	-	-	14,191
21	-	-	-	-	-	3,956
21,409	-	1,605	9,900	-	-	76,455
404	-	-	101	-	-	10,297
-	-	-	-	-	-	3,768
-	-	-	-	-	-	11,638
-	-	-	-	-	6,119	6,119
-	-	-	-	-	-	-
<u>29,857</u>	<u>-</u>	<u>1,605</u>	<u>10,001</u>	<u>-</u>	<u>6,119</u>	<u>216,053</u>
(1,606)	32,523	-	27,985	3,100	(3,761)	14,228
1,606	-	-	-	-	-	45,619
<u>-</u>	<u>(32,523)</u>	<u>-</u>	<u>(27,985)</u>	<u>(3,100)</u>	<u>-</u>	<u>(63,608)</u>
-	-	-	-	-	(3,761)	(3,761)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,199</u>	<u>28,199</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,438</u>	<u>\$ 24,438</u>

MOREHOUSE COUNCIL ON AGING, INC.

Statement of General Fixed Assets
and Changes in General Fixed Assets
For the Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
General Fixed Assets, at cost:				
Building	\$ 352,629	\$ -	\$ -	\$ 352,629
Furniture and equipment	207,466	7,500	42,404	172,562
Leasehold Improvements	61,645	-	-	61,645
Total	<u>\$ 621,740</u>	<u>\$ 7,500</u>	<u>\$ 42,404</u>	<u>\$ 586,836</u>
Investment in General Fixed Assets:				
Property with no reflection of source and general fund acquisitions	\$ 76,532	\$ -	\$ -	\$ 76,532
Title III C-1	8,111	-	600	7,511
Title III C-2	3,019	-	129	2,890
Senior Center	6,504	-	1,814	4,690
Title III B Supportive Services	4,805	-	4,201	604
Title III F	2,024	-	904	1,120
Supplemental Senior Center	3,818	-	-	3,818
Local	516,927	7,500	34,756	489,671
Total	<u>\$ 621,740</u>	<u>\$ 7,500</u>	<u>\$ 42,404</u>	<u>\$ 586,836</u>

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2010

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	REVENUE RECOGNIZED	EXPENDITURES
<u>U. S. Department of Health and Human Services</u>				
<u>Administration on Aging</u>				
Passed through the Louisiana Governor's Office of Elderly Affairs: Special programs for the aging:				
Title III, Part B - Grant for Supportive Services and Senior Centers	93.044	\$ 51,524	\$ 51,524	\$ 51,524
Title III, Part C - Area Agency Administration	93.045	17,870	17,870	17,870
Title C-1 - ARRA Congregate Meals	93.045	7,799	7,799	7,799
Title C-1 - Nutrition Services Congregate Meals	93.045	50,266	50,266	50,266
Title C-2 - ARRA Home Delivered Meals	93.045	3,839	3,839	3,839
Title C-2 - Nutrition Services Home Delivered Meals	93.045	34,086	34,086	34,086
Subtotal CFDA# 93.045		<u>165,384</u>	<u>165,384</u>	<u>165,384</u>
Title III, Part D - Preventive Health	93.043	<u>3,768</u>	<u>3,768</u>	<u>3,768</u>
Title III, Part E - Caregiver	93.052	<u>21,188</u>	<u>21,188</u>	<u>21,188</u>
MIPPA	93.779	<u>1,130</u>	<u>1,130</u>	<u>1,130</u>
Total for U. S. Department of Health and Human Services		<u>191,470</u>	<u>191,470</u>	<u>191,470</u>
<u>Department of Housing and Urban Development</u>				
Section 8 Housing Voucher *	14.871	<u>489,766</u>	<u>489,766</u>	<u>489,766</u>
Total for Housing and Urban Development		<u>489,766</u>	<u>489,766</u>	<u>489,766</u>
<u>U.S. Administration on Aging</u>				
Passed through the Louisiana Governor's Office of Elderly Affairs				
NSI - Nutritional Services Incentive	10.225	<u>32,523</u>	<u>32,523</u>	<u>32,523</u>
Total - All Federal Awards		<u>\$ 713,759</u>	<u>\$ 713,759</u>	<u>\$ 713,759</u>
* Denotes Major Program			47	



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

I have audited the financial statements of Morehouse Council on Aging, Inc. as of and for the year ended June 30, 2010, and have issued my report thereon dated September 10, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Morehouse Council on Aging, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding #2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morehouse Council on Aging, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

810 WILKINSON
SHREVEPORT, LA 71104-3036
(318) 221-3881
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This report is intended solely for the information and use of management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Marsha D. Sullivan

Certified Public Accountant
September 10, 2010

Morehouse Council on Aging, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. One significant deficiency is reported as a material weaknesses in internal control over financial reporting.
3. The auditor's report on compliance for the major federal award programs for Morehouse Council on Aging, Inc. expresses an unqualified opinion on all major federal programs.
4. The programs tested as major programs included:
14.777 Section 8 Housing Voucher
5. The threshold for distinguishing Type A and B programs was \$300,000.
6. Morehouse Council on Aging, Inc. was not determined to be a low risk auditee.

Finding/Noncompliance

Finding 2010 - #1:

Criteria: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Recommendation: No action is recommended.

Management's Response: We concur with the finding.

MOREHOUSE COUNCIL ON AGING, INC.

Corrective Action Taken on Prior Year Findings

June 30, 2010

FINDING 2009-1:

The segregation of duties is inadequate to provide effective internal control.

STATUS:

No action was recommended due to economic and space limitations and none was taken.

FINDING 2009-2:

The Council did not file its audited financial statements within the time frame required by State law.

STATUS:

Resolved.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

Compliance

I have audited the compliance of Morehouse Council on Aging, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Morehouse Council on Aging, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. My responsibility is to express an opinion on the Council's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Council's compliance with those requirements.

In my opinion, Morehouse Council on Aging, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Morehouse Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Council's internal control over compliance.

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My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding #2010-1 to be a material weakness.

This report is intended solely for the information of management, the Board of Directors and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marsha D. Millican

Certified Public Accountant
September 10, 2010